

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

12-2607.2

HB 1607-FN-LOCAL, *establishing an education tax credit against the business profits tax.*

House Ways & Means Committee

This bill establishes an education credit against the Business Profits Tax (BPT) for business organizations that contribute to scholarship organizations which award scholarships to be used by students to defray the education expenses of attending an independent school.

Since the Education Credit would be a new tax credit, the Department of Revenue Administration does not have any information in order to project the estimated cost of having taxpayers receive tax credits against BPT liabilities. The Department has no way of determining which business organizations, or how many business organizations, would be eligible for the tax credit. The limit on the amount of tax credits to be awarded in FY2013 would be \$15,000,000. A tax credit reduces a taxpayer's tax liability dollar for dollar, but the Department cannot estimate how much of that credit will be awarded or how much of that credit would actually be used to offset the taxpayer's BPT liability. Therefore, the Department can only state that BPT revenue would be reduced by this bill – but by how much is indeterminable at this time.

This law could be administered by the Department, but with a significant and indeterminable increase in existing staffing, administrative costs and IT costs. The proposed legislation would place considerable administrative, auditing and IT-related burdens upon the Department that could not be implemented at the current level of staffing and funding. Without knowing how large the Education Credit program could become, it is not possible to predict the number of new employees needed, nor the additional equipment expenses associated with the new personnel. Nothing except for the creation of the "Receipt" and the "Scholarship receipt", however, could be established by this Department without an increase in staffing and funding to develop, implement and administer this Education Credit program.

The Department notes that it is not apparent from this legislation how the Department would issue the tax credits capping them at \$15,000,000. What would happen to those taxpayers requesting tax credits and the cap has already been reached? Also, there is no mention in this bill of an allowable carryforward period for the tax credit. Thus, the Department assumes that the credits would only be available for that tax period and not carried forward.

The legislation also provides that if \$10,000,000 in tax credits is issued in the first year and the next year's scholarship receipts are \$9,000,000, then the following fiscal year's tax credits issued would increase to \$12,500,000.

In addition, it is unclear to the Department if there is any offset of the reduction in tax revenue with any possible reduction in public school expenditures by placing a public school student into private school.

This law would take effect July 1, 2012.